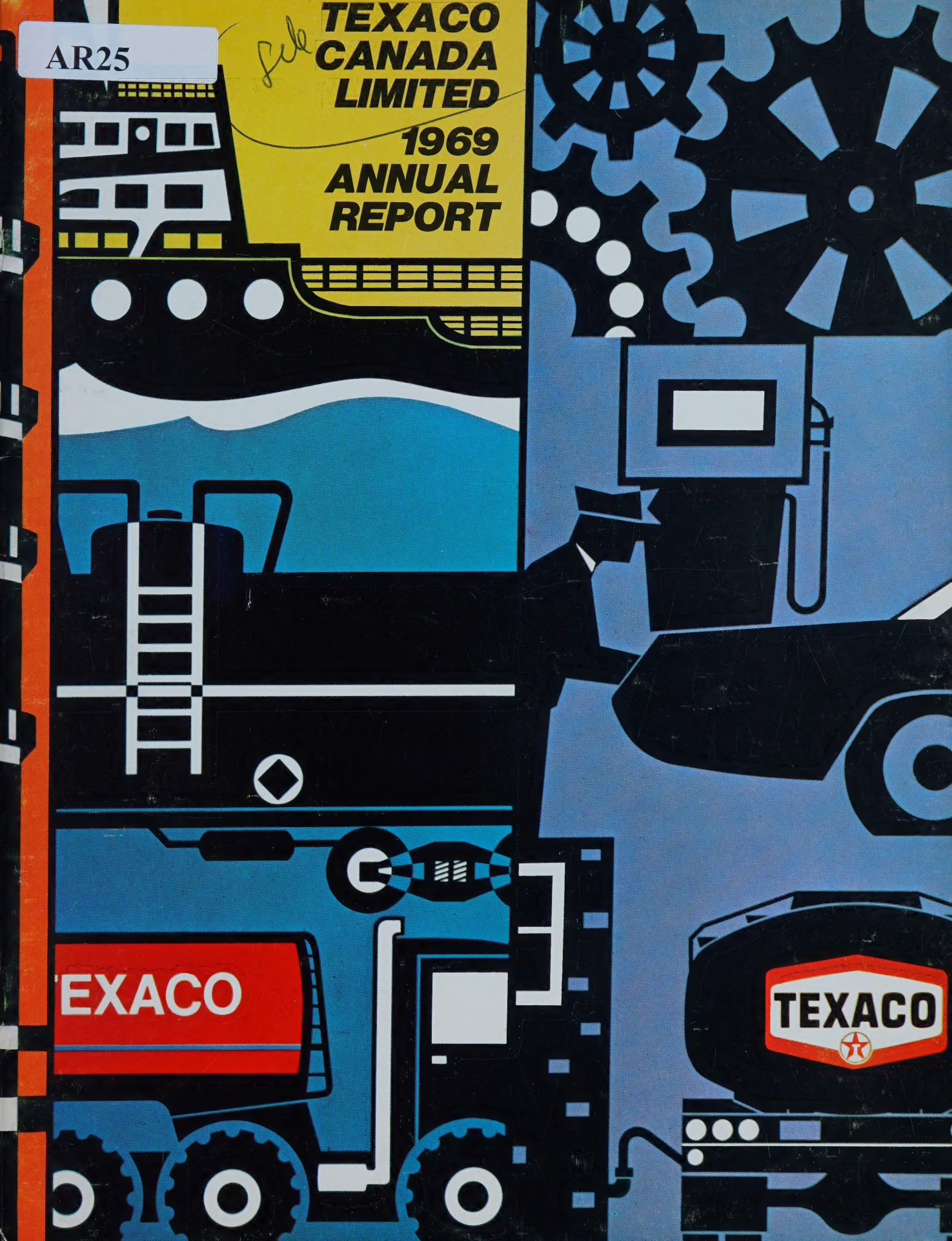


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**TEXACO
CANADA
LIMITED**

**1969
ANNUAL
REPORT**



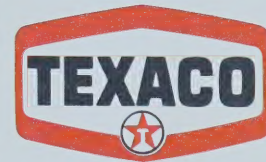
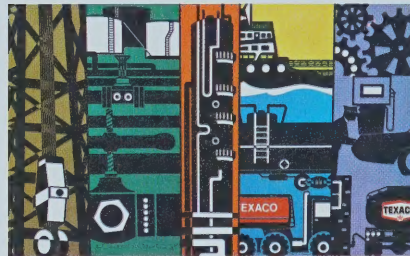


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Opposite: At the intersection of the Trans-Canada and Big Bend Highways in Revelstoke, B.C., this "Community" design service station enjoys a traffic vantage-point amid spectacular scenery.

Cover: The activities of a fully-integrated oil company are depicted in stylized form on this Texaco Canada mural panel in a visitors' hall at the Montreal Stock Exchange.



Texaco Canada Limited,
1425 Mountain Street,
Montreal 107, P.Q.

Transfer Agents in Canada:
Montreal Trust Company,
Montreal, Toronto, Winnipeg, Regina,
Calgary and Vancouver.

Registrars in Canada:
Royal Trust Company, Montreal, Toronto,
Winnipeg, Regina, Calgary and Vancouver.

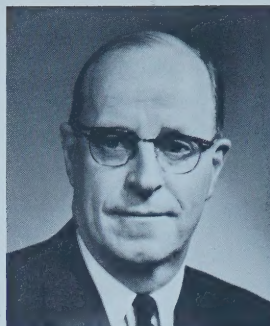
Transfer Agents and Registrars in
United States:
The Royal Bank of Canada Trust Company,
68 William Street, New York, N.Y.

*On peut obtenir un exemplaire français du
présent rapport annuel en s'adressant au
secrétaire de la compagnie, C.P. 1500,
Succursale Postale "H", Montréal 107, P.Q.*

DIRECTORS



*A. W. Baucum,
Executive Vice-President,
Texaco Inc.,
Houston, Texas.



D. F. Bentley, Q.C.,
Vice-Pres. and Gen. Counsel,
Texaco Canada Limited,
Montreal, Quebec.



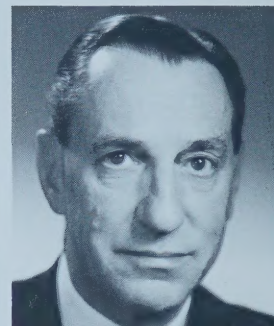
*Roland Bock,
President,
Bock & Tétreau Limitée,
Montreal, Quebec.



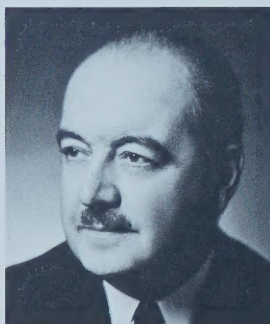
*A. G. Farquharson,
President and
Chief Executive Officer,
Texaco Canada Limited,
Montreal, Quebec.



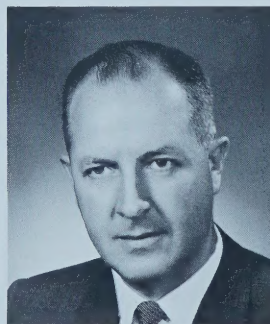
*John W. Green,
Executive Vice-President,
Texaco Inc.,
New York, N.Y.



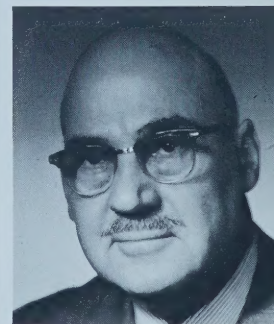
H. J. Lang,
Chairman and President,
Canron Limited,
Montreal, Quebec.



Hon. Victor deB. Oland,
Lieutenant-Governor,
Province of Nova Scotia,
Halifax, N.S.



D. G. Willmot,
President and
Chief Executive Officer,
Molson Industries Limited,
Toronto, Ontario.



*Edward C. Wood,
President,
Edwood Ltd.,
Montreal, Quebec.



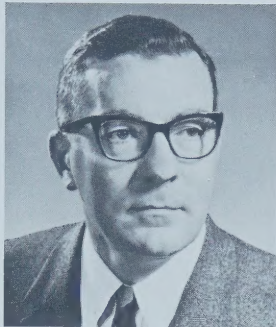
Stanley D. Clarke,
President,
Clarke Traffic Services, Ltd.,
Montreal, Quebec.



Charles H. Dodson,
Vice-President,
Texaco Inc.,
Chicago, Illinois.



*L. J. McGowan,
Consultant,
Taylor, Woodrow of
Canada Limited,
Toronto, Ontario.



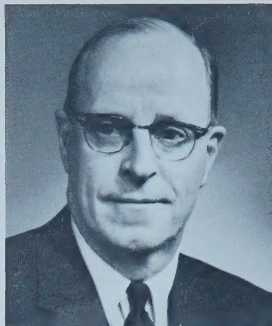
Paul Murdock,
President,
John Murdock & Son Ltd.,
Chiccutimi, Quebec.

*Member of the Executive Committee.

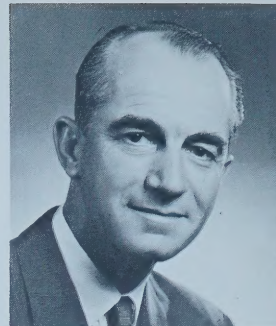
OFFICERS



A. G. Farquharson,
President and
Chief Executive Officer.



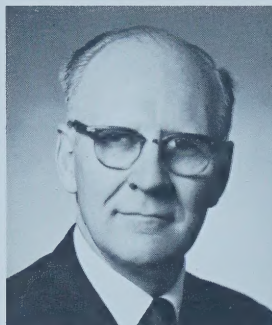
D. F. Bentley, Q.C.,
Vice-Pres. and Gen. Counsel.



W. C. Howells,
Vice-President — Producing.



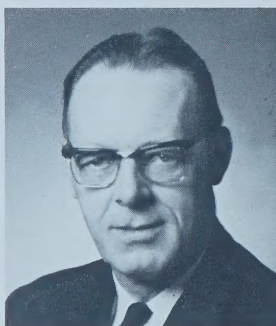
J. E. King,
Vice-President — Sales.



J. G. Light,
Vice-President — Refining.



J. R. C. Boyce,
Secretary.



H. T. Hudson,
Treasurer.



F. D. Cunningham,
Comptroller.

HIGHLIGHTS**FINANCIAL**

	1969	1968*
Gross income	\$330,939,586	\$310,301,156
Net income before extraordinary item	\$ 21,315,059	\$ 20,765,976
Extraordinary item	1,765,325	—
Total net income for the year	\$ 23,080,384	\$ 20,765,976
Number of common shares outstanding	9,715,359	9,715,359
Net income per common share		
Before extraordinary item	\$2.18	\$2.12
Total for the year	\$2.36	\$2.12
Cash dividends paid on common stock	\$ 7,966,594	\$ 7,189,366
Per share	\$0.82	\$0.74
Shareholders' equity	\$189,836,408	\$175,066,925
Total assets (end of year)	\$344,221,986	\$329,509,217
Working capital (end of year)	\$ 51,267,765	\$ 35,631,966
Capital expenditures	\$ 26,291,887	\$ 23,395,584

OPERATING (Barrels daily)

Gross production of crude oil and natural gas		
liquids	21,394	19,036
Refinery runs	134,826	132,561
Petroleum product sales	141,709	134,205

* Restated to reflect the adoption of equity accounting for investments in companies owned 50%.

TO THE SHAREHOLDERS:

During 1969 the Company achieved record levels in net earnings and gross income, as well as in production, refining, transportation and sales activities.

Net income rose to \$23.1 million or \$2.36 per common share, an increase of 11.1% over 1968. Included in net income was a non-recurring gain of about \$1.8 million or 18 cents per common share resulting from the sale of an office building and land in Toronto which were no longer needed when the Company's new office building in Don Mills was occupied. Excluding this extraordinary item, net income increased by 2.6 % over the previous year. This gain was achieved during a year in which there was a sharp increase in the cost of doing business but only a small improvement in product prices.

Production of crude oil and natural gas liquids gained 12.1% over the previous year, compared to an industry growth of 10%. The successful completion of new wells, water injection of certain existing oil fields and higher production allowables allocated to some of the Company's oil fields, all combined to achieve this higher level of production.

The amount of crude oil processed in the Company's refineries increased by 1.4% over the previous year with the average daily throughput being nearly 6% above the rated daily capacity.

Sales volume of the Company's products increased by 5.3% over the previous year, compared to an estimated industry growth rate of 4¼ %. Particularly satisfactory

results were achieved in sales of motor gasolines and middle distillates.

.....

The petroleum industry in Canada continued to expand its operations during 1969 and attained record levels in the production and refining of crude oil and the marketing of petroleum products and natural gas.

Canada's production of crude oil and natural gas liquids increased by 10% over the previous year to an average of approximately 1.3 million barrels daily. Higher exports accounted for a substantial portion of the increase in production.

Industry sales of natural gas increased by 11% over 1968 to an average of approximately 4.1 billion cubic feet daily. Export sales of natural gas to the United States continued to increase.

Canada's 39 petroleum refineries processed an average of nearly 1.2 million barrels daily in 1969, an increase of about 5% over the previous year. In the aggregate, these refineries operated at about 95% of their rated capacity.

Demand for petroleum products in Canada averaged approximately 1.4 million barrels daily, an increase of 4¼ % over demand in 1968.

.....

The Canadian economy continued to advance in 1969 with the Gross National Product rising 4¾ % in real terms over 1968. A decline in the price component of the GNP during the last half of the year indicated that the economy was beginning to react to the fiscal and monetary restraints designed to bring inflationary trends under control.

The formidable task of controlling inflation occupied the attention of governments and the business community. The Federal Government, through the efforts of the Prices and Incomes Commission, is seeking the co-operation of business in restraining price increases and of labour in restraining wage demands. The success of this effort will depend heavily on the ability of governments to curb their own expenditures and refrain from increasing the already heavy tax burden on Canadians.

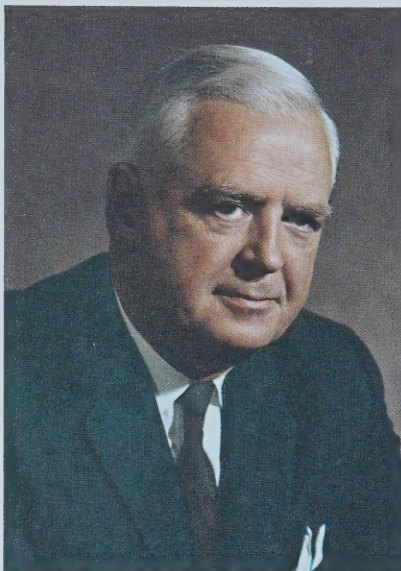
The Canadian economic outlook for 1970 is one of cautious optimism with the Gross National Product expected to increase in real terms by 2 to 3%.

For the petroleum industry we expect continued expansion in all phases of operations.

.....

At the beginning of 1969, the Alberta Gasoline Marketing Enquiry Committee submitted its report to the Alberta Government. In our opinion this report departs radically from the terms of reference assigned to the Committee and is, on the whole, unsound and of questionable value. It is our hope that its recommendations will not be accepted by the Alberta Government.

The Canadian Government's White Paper on tax reform contains proposals, particularly those relating to depletion, which would have the effect of reducing incentive and discouraging risk-taking, especially in petroleum and other resource-based industries, to the detriment of Canada. The Company is now preparing submissions containing its views on these and other aspects



of the White Paper for presentation to the Senate and House of Commons Committees charged with considering such submissions.

.....

The Board of Directors expresses its warm appreciation to the Company's shareholders, customers and employees for their loyal support during the past year.

.....

In the following pages you will find a more detailed account of Texaco Canada's financial and operating results for 1969.

Respectfully submitted, on behalf of the Board of Directors,

A handwritten signature in dark ink, reading "A. G. Farquharson". The signature is written in a cursive style with a large, stylized "F".

A. G. Farquharson, President
Montreal, Que., March 31, 1970

EARNINGS

The consolidated net income of the Company increased for the seventh consecutive year to reach a level of \$23.1 million, compared to \$20.8 million in 1968. This increase of \$2.3 million included \$1.8 million non-recurring gain. Net income per common share amounted to \$2.36 compared to \$2.12 in 1968. Included in the net income for 1969, was \$0.18 non-recurring gain per common share.

DIVIDENDS

Cash dividends paid by the Company on common shares totalled \$8 million or 82 cents per share, an increase of 10.8% over the \$7.2 million or 74 cents per share in 1968. The Company increased its quarterly dividend payments from 20 to 22 cents per common share, effective in the fourth quarter of 1969.

GROSS INCOME

Consolidated gross income of the Company totalled \$330.9 million, an increase of 6.7% over the \$310.3 million recorded in 1968. Gross income from sales and services totalled \$327.0 million or 6.5% more than the \$306.9 million in the previous year. Income from other sources amounted to \$3.9 million excluding the gain of about \$1.8 million realized on the sale at mid-year of an office building and land in Toronto.

COSTS & OTHER DEDUCTIONS

Costs and other deductions, excluding taxes, totalled \$264.2 million, an increase of 7.5% over the 1968 level of \$245.9 million. This increase in costs was largely attributable to increased wages and salaries and higher costs of materials, supplies and services.

TAXES

Current income taxes, federal sales tax and municipal taxes totalled \$42.9 million as compared to \$42.5 million in 1968. These taxes were equivalent to \$4.41 per common share, as compared to \$4.37 in 1968. In addition, direct taxes on petroleum product sales imposed by provincial governments and collected on their behalf by the Company, totalled \$152.3 million, 10.7% more than the \$137.6 million collected in the previous year.

CAPITAL EXPENDITURES

Capital expenditures of the Company were \$26.3 million, compared to \$23.4 million in 1968. Gross property, plant and equipment at cost was \$338.5 million, an increase of 5.8% over the \$319.9 million at the end of the previous year.

TOTAL ASSETS

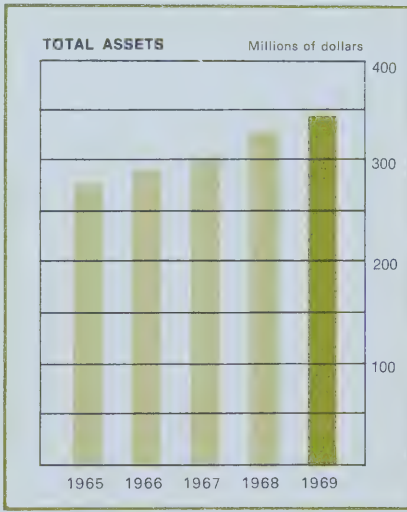
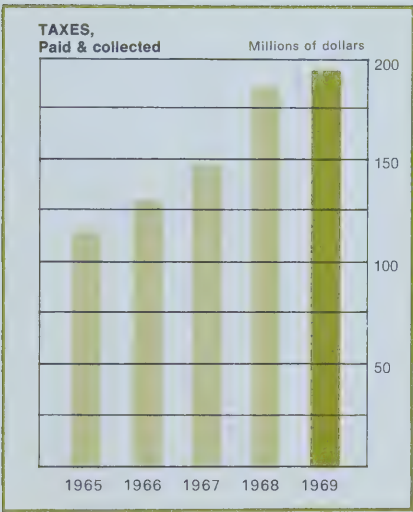
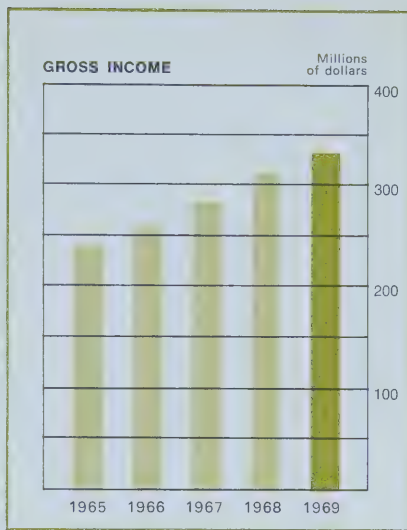
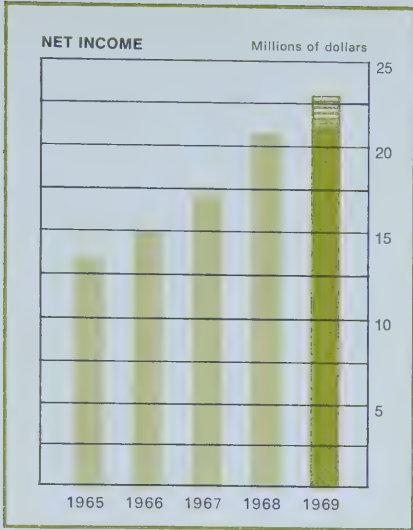
Total assets of the Company increased by \$14.7 million to reach \$344.2 million at year end or 4.5% greater than the level of \$329.5 million at the end of 1968. Working capital amounted to \$51.3 million, compared to \$35.6 million a year earlier.

DEBT POSITION

The long-term debt of the Company at year end, including the amount due within one year, totalled \$43.1 million, unchanged from the level at the end of 1968.

FINANCING

The Company refinanced a loan of U.S. \$10 million, due in the first quarter of 1969. The new loan is repayable in the first quarter of 1974. The Company borrowed U.S. \$3 million at the end of 1969 to finance certain service stations completed during the year. This loan will mature at the end of 1972.



Gross production of crude oil and natural gas liquids from wells located in Alberta, Saskatchewan and British Columbia, totalled 21,394 barrels daily, an increase of 12.1% over production of 19,036 barrels daily in 1968.

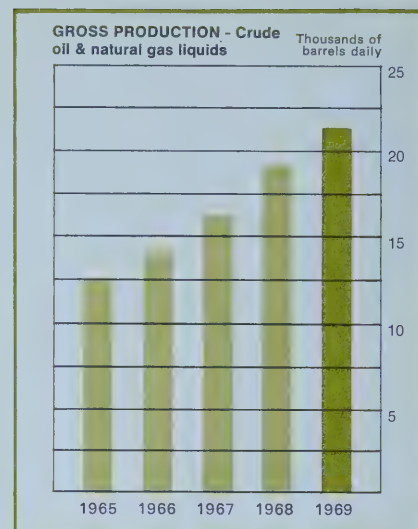
Net production of crude oil and natural gas liquids, after royalty interest payments, amounted to 18,580 barrels daily compared to 16,530 barrels daily in 1968.

The Company achieved a higher rate of increase than the industry as a result of continued exploration and development in the Zama Lake area, pressure maintenance by water injection in the Nipisi field and higher allowables allocated to Alberta fields from which the Company derives a substantial portion of its production.

During the year, the Company added 422,000 acres to its land holdings and surrendered its rights in 164,000 acres. As a result of these transactions, total land holdings at the end of 1969 amounted to 3.5 million acres, as compared to 3.3 million acres at the end of 1968. In addition, the Company held varying royalty interests in 982,000 acres at the end of 1969.

Among the significant additions to land holdings were seven petroleum and natural gas reservations and two drilling reservations in Alberta; one permit and one drilling reservation in British Columbia. The Company's land holdings in the Northwest Territories amounted to 2.2 million acres at the end of 1969.

Geophysical prospecting was carried out on land held by the Company in Alberta, Saskatchewan and the Northwest Territories. Surface



geological mapping in the Northwest Territories is being continued in 1970.

The Company participated in the drilling of 25 wells in 1969 and, in addition, 21 wells were drilled on lands in which the Company owns a royalty interest. Drilling had started on three of these wells in 1968. Of the 45 wells completed during 1969, 29 were successful oil or gas wells.

Capital expenditures on producing operations amounted to \$4.9 million, compared to \$4.7 million in 1968.

Gross proved reserves of crude oil and natural gas liquids increased in 1969 despite a record rate of production during the year.

Opposite: A drilling-rig in the Zama Lake area of Northwestern Alberta, where the Company has extensive crude oil producing interests.



Crude oil processed in the Company's four refineries averaged 134,826 barrels daily, an increase of 1.4% over the 132,561 barrels daily in 1968.

Capital expenditures for refining facilities amounted to \$5 million, compared to \$3.9 million in 1968.

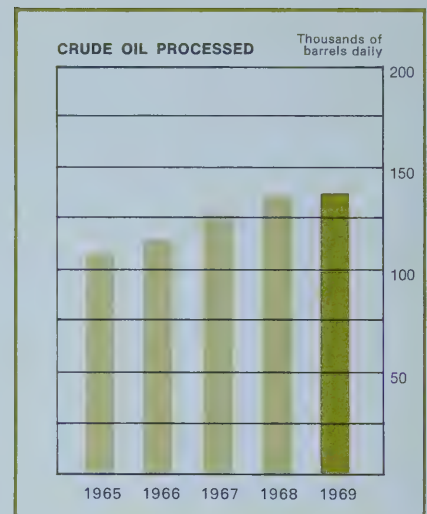
At Halifax Plant, a 320,000-barrel crude oil storage tank was constructed and placed in service. This will allow the plant to receive large tankers and provide greater flexibility in crude oil processing.

Another 320,000-barrel tank was constructed and placed in domestic fuel service at Montreal Plant.

At Edmonton Plant, crude oil processing capacity was raised to 18,000 barrels daily upon completion of the expansion program which began in the summer of 1968. Major items in this expansion included the construction of a Vacuum Distillation Unit and additional gas compression facilities at the Fluid Catalytic Cracking Unit.

Also at Edmonton Plant, a complete rebuilding of the truck-loading facilities was started in the summer of 1969. The new facilities are scheduled for completion in mid-1970 to permit increased delivery rates and more efficient handling of tank trucks.

The Company announced its intention to construct a new refinery on a 1,300-acre site, now under option, in Walpole Township, Haldimand County, Ontario. The proposed refinery will have an initial capacity of 50,000 barrels daily with provision for substantial expansion. It is expected that the plant, which is presently planned for completion in the fall of 1972, will provide permanent employ-



ment for at least 175 people when operations commence.

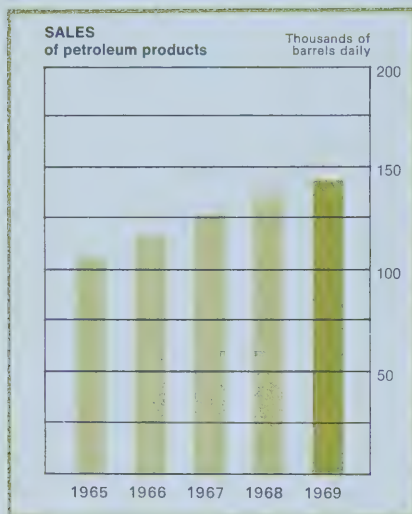
Recent developments in conservation technology and pollution control will enable the Company to construct and operate a refinery which will incorporate the newest concepts and be completely compatible with the environmental needs of the area.

Opposite: Process units of the Company's Edmonton refinery, which during 1969 continued its expansion to achieve a rated capacity of 18,000 barrels per day at year end.

Below: Product analysis in progress at the quality control laboratory of Montreal Plant.







Opposite: Texaco's planters and other landscaping brighten this downtown corner in Victoria, B.C.

Below: Fuelling a corporate aircraft at the Texaco Sky Service Centre, Montreal International Airport. In the background is the attractive new hangar building, incorporating full Sky Service facilities, which was opened in 1969.



Sales of petroleum products totalled 141,709 barrels daily, an increase of 5.3% over the sales of 134,205 barrels daily in 1968.

Programs for the effective marketing of petroleum products through retail, wholesale and commercial channels were successfully accomplished, raising the total sales to the highest level recorded by the Company.

Construction of new service stations at carefully selected locations and the modernization of existing properties also contributed to an increase in the Company's share of the gasoline market. The average annual volume of gasoline marketed through Texaco retail outlets continued to increase, reflecting a further growth in public acceptance of the Company's high quality products.

During 1969, the Company built and opened two "Service Centres" at locations made available by the Government of Ontario on the Macdonald-Cartier Freeway. The completion of these outstanding locations, on opposite sides of the highway near Mallorytown, was marked by ceremonies attended by Cabinet Ministers of the Province of Ontario, civic and municipal officials, other guests and officers of the Company. On this occasion, the Hon. George E. Gomme, Minister of Highways, and the Hon. James Auld, Minister of Tourism and Information, unveiled a plaque commemorating the completion of the Freeway.

The Company now operates six of the twenty-three "Service Centres" between Windsor and the Ontario-Quebec border, increasing significantly the availability of Texaco products on this important traffic artery.

Capital expenditures for marketing facilities totalled \$15.9 million, compared to \$11.5 million in 1968. Significant gains were made in sales of domestic heating fuels, and a full line of heating equipment and allied accessories was introduced in Ontario.

The Company assisted its aviation fuel distributor, Atlantic Aviation of Canada, in the construction of an aircraft hangar at Montreal International Airport in a new area designated for general aviation use. This new building provides greatly enlarged hangar space and includes a Texaco Sky Service Centre, with pilots' lounge, meeting rooms and other facilities to enable the Company to serve its customers more effectively. Sales to credit card customers increased substantially, as did the number of Texaco Credit Card accounts.

The Company constructed several new bulk distribution outlets with which to extend its market area and improved its facilities at several existing outlets to increase operating and distribution efficiency.

Operations of the marketing department were intensively reviewed during 1969 in the Company's continued search for improved marketing and distribution techniques. New projects were undertaken to reduce the cost of doing business and, at the same time, improve the Company's service to its customers.

The Company continued to provide training facilities for its retailers, distributors and their employees to assist these marketers of Texaco products in serving the public more effectively and increasing the profitability of the businesses which they conduct.



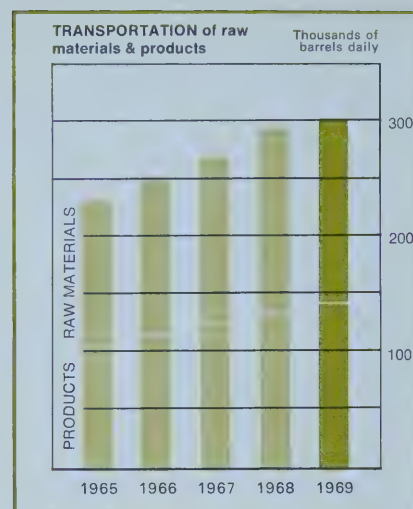
The Company accepted delivery of a 50,000-barrel coastal tanker in April 1969. The vessel was christened the "Texaco Chief" by Mrs. A. G. Farquharson, wife of the President, at ceremonies in the shipyards of Canadian Shipbuilding & Engineering, Limited, Collingwood, Ontario.

This vessel has approximately double the carrying capacity of the "Texaco Warrior" which was retired from Company service. In its first season, the "Texaco Chief" carried 3 million barrels of petroleum products in the Atlantic coast and St. Lawrence River trade routes.

The Federated Pipe Line system, in which the Company has a 50% interest, transported 160,000 barrels daily of crude oil from Swan Hills to Edmonton, Alberta, an increase of 2.5% over the 156,000 barrels daily in 1968. Capacity of the system was increased to 190,000 barrels daily by the end of 1969 through additions to the pumping facilities. Late in the year, work was in progress on the first part of a two-stage program designed to increase the carrying capacity to about 270,000 barrels daily by looping 91 miles of pipeline.

The Portland-Montreal Pipe Line system, in which the Company has a 16% interest, improved its cargo handling facilities at Portland by the installation of a new 42-inch unloading line and an additional dockside storage tank. This pipeline system, which transports crude oil from Portland, Maine, to the refineries in Montreal, had a capacity of about 504,000 barrels daily at the end of 1969.

The Trans-Northern Pipe Line system, in which the Company has a 33⅓ %



interest, was extended by addition of a 10-inch lateral line and related facilities to transport jet fuels to the International Airport at Dorval, Quebec.

The Company transported some 300,000 barrels daily via marine carriers, pipelines, railway cars and motor trucks during 1969. Of this amount, 141,700 barrels, or nearly 5 million gallons daily, represented finished products moved to customers and the remainder represented crude oil and other raw materials moved to plants for processing.

Opposite: Heading down the St. Lawrence with a load of refined products from Montreal Plant, the Company's new tanker "Texaco Chief" exchanges bow-waves with a pleasure craft. The 50,000-barrel lake and coastal tanker went into service in 1969.



EMPLOYEE RELATIONS

The Company's labour force at the end of the year totalled 3,481 compared to 3,441 at the end of 1968. Total payroll and employee benefit costs for the year amounted to \$33.2 million compared to \$30.1 million in 1968.

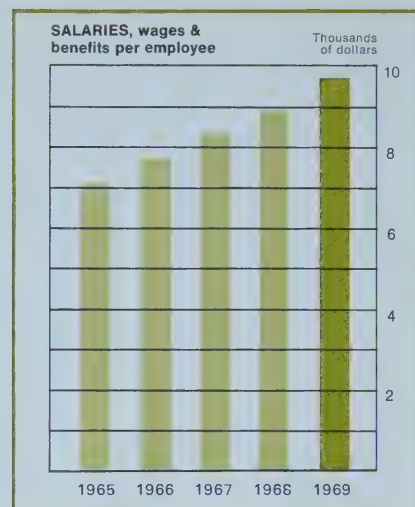
To broaden its manpower development program, the Company continued to provide in-Company and outside training for selected employees.

The Educational Assistance Plan which was implemented by the Company to encourage self-development among employees through continuing education, provided assistance to 293 employees enrolled in courses at 71 educational institutions.

The Merit Scholarship Award Program, in its fourth year of operation, awarded 13 scholarships to sons and daughters of employees who qualified under the academic requirements of the program. Since inception of the program, 65 scholarships have been awarded for tuition and fees, for a maximum of four years, towards attainment of a baccalaureate degree at any Canadian University or College.

The Company's Personnel Inventory and Appraisal Program for supervisory, selling, administrative and professional personnel was maintained on a continuing basis to appraise and improve employee performance and identify employees with advancement potential.

Representatives of the Company visited 21 Universities and Technological Institutes to recruit candidates with ability and potential to fill future management positions



and to meet the increasing demand for technically skilled employees in various departments of the Company.

The Company continued its program of promoting safe working conditions and practices as an integral part of all operations. In addition, communications with employees included monthly bulletins covering automotive, industrial and off-the-job safety, and the quarterly Safety Digest.

Thirty-two employees received the Company's 25-year service award in 1969. This increased to 297 the number of active employees of the Company who have had 25 or more years of service.

Thirty-three employees retired on pension, bringing the total number of employees receiving pension to 318.

PUBLIC RELATIONS

The Company made its views known on a variety of public affairs of importance to the Company and the industry. These matters included taxes, depletion, air and water conservation, government investigations into industry marketing practices, and freedom of enterprise.

Through its own publications and the outside news media, the Company kept its shareholders, employees, customers, dealers, the financial community and others informed of its developments and activities during the year.

The Company, through its selective program of corporate donations, again supported many worthy institutions and causes in different parts of the country, particularly in the fields of higher education and community health and welfare. It also strengthened its active participation in organizations working in the conservation, environmental control and related fields.

In its basic policies and in the conduct of its operations across Canada, the Company continued to be alert and responsive to endeavours which contribute to the improvement of the quality of life in Canada.

GUIDING PRINCIPLES AND OBJECTIVES

Following are the principles and objectives that guide Texaco Canada Limited in the administration and conduct of its corporate affairs:

To sell top quality products at fair prices.

To provide consistently dependable and courteous service.

To make a profit and pay a fair return to shareholders.

To constantly seek new ways, through research and encouragement of new ideas, to develop better products and to increase efficiency and economy.

To maintain a high level of employee morale by recognizing the dignity, worth and potential of the individual, by paying compensation which compares favourably with others in the industry, and by providing safe and efficient working facilities and conditions.

To be a good corporate citizen of Canada, the provinces and communities.

To maintain free and open channels of two-way communication between management and employees, customers, dealers, shareholders, governments and others having a proper interest in the affairs of the company.

To maintain the highest ethical and moral standards in the conduct of our affairs; and

To support the system of free, competitive enterprise.

HA HA!

PRODUCTS

TEXACO CANADA LIMITED
markets a full line of petroleum
products in all ten provinces . . .

AUTOMOTIVE:

Sky Chief gasoline
Fire Chief gasoline
Havoline motor oil
Texaco motor oil
Texaco anti-freezes
Marfak lubricants
Gear lubricants
Texamatic transmission fluids
Quality Line specialties, such as:
 Mixfast Snowmobile Engine Oil
 Car Cleaner and Polish
 Upper Cylinder Lubricant
 Windshield De-Icer
 Charcoal Lighter Fluid

AVIATION:

Aviation gasolines
Jet fuels
Aircraft engine oils
Synthetic jet engine oils
Aircraft hydraulic oils
Aircraft greases
Aircraft gear oils

MARINE:

Sea Chief gasoline
Outboard motor oil
Marine bunker fuels
Marine lubricants

GASES:

Liquefied petroleum gases

FUEL OILS:

Fuel Chief heating oils
Kerosene
Diesel fuels
Tractor fuels
Industrial fuels

MISCELLANEOUS:

Rust Proof Compounds

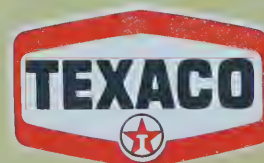
INDUSTRIAL:

Anti-friction bearing greases
Compressor oils
Construction and mining
 equipment lubricants
Diesel engine lubricants
Farm machinery lubricants
Forest and paper pulp
 industry lubricants
Gas engine lubricants
Hydraulic oils
Industrial gear lubricants
Industrial greases
Metalworking lubricants
 and coolants
Railway lubricants
Rubber processing oils
Steel mill lubricants
Texspray cotton conditioner
Textile mill lubricants

PETROCHEMICALS:

Benzene
Toluene
Xylene
Hexane
Feedstocks for chemical plants
Petroleum additives
Rust inhibitors
Solvents

**We'd
like
you to
come
back.**



CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

For the years ended
December 31, 1969 and 1968

Texaco Canada Limited and Subsidiary Companies

	1969	1968*
GROSS INCOME		
Sales and services	\$327,008,757	\$306,921,299
Income from investments (Note 8)	3,090,058	2,999,065
Other income	840,771	380,792
	<u>\$330,939,586</u>	<u>\$310,301,156</u>
DEDUCTIONS		
Costs and operating expenses	\$198,291,219	\$185,992,999
Selling, general and administrative expenses (Note 5)	52,505,722	46,956,213
Depreciation, depletion and amortization (Note 2)	11,046,443	11,106,545
Interest charges	2,370,999	1,821,561
**Taxes, other than income taxes	27,922,144	26,227,862
Provision for income taxes – current	14,940,000	16,239,000
– deferred (Note 4)	2,548,000	1,191,000
	<u>\$309,624,527</u>	<u>\$289,535,180</u>
NET INCOME BEFORE EXTRAORDINARY ITEM	\$ 21,315,059	\$ 20,765,976
(Per common share – \$2.18 in 1969 and \$2.12 in 1968)		
EXTRAORDINARY ITEM		
– Gain on sale of office building and land ...	1,765,325	–
NET INCOME FOR THE YEAR	<u>\$ 23,080,384</u>	<u>\$ 20,765,976</u>
(Per common share – \$2.36 in 1969 and \$2.12 in 1968)		
RETAINED EARNINGS		
Balance at beginning of year – restated (Note 8)	\$137,953,181	\$124,720,878
Add –		
Net income for the year	23,080,384	20,765,976
Deduct –		
Dividends declared –		
Preferred stock (\$4.00 per share in 1969 and 1968)	150,000	150,000
Common stock (\$0.84 per share in 1969 and \$0.76 per share in 1968) ..	8,160,901	7,383,673
Balance at end of year	<u>\$152,722,664</u>	<u>\$137,953,181</u>

*Restated to reflect the adoption of equity accounting in companies owned 50% (Note 8).

**In addition, provincial motor fuel and oil taxes collected from consumers were paid or accrued in the amounts of \$152,312,405 during 1969 and \$137,636,951 during 1968.
See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET

December 31, 1969 and 1968

Texaco Canada Limited and Subsidiary Companies

ASSETS

CURRENT ASSETS

	1969	1968*
Cash	\$ 7,609,510	\$ 8,195,813
Accounts receivable	70,015,974	68,894,259
Inventories		
Crude and refined oil products and merchandise – at cost, determined on the first-in, first-out method, which in the aggregate was lower than market	46,198,307	44,348,970
Materials and supplies – at cost	1,169,110	1,108,555
Total current assets	<u>\$124,992,901</u>	<u>\$122,547,597</u>

INVESTMENTS

Investments in non-subsidiary companies (Note 8)	\$ 5,640,604	\$ 5,323,867
Receivables, secured by mortgages, agreements of sale, etc.	8,191,989	7,899,968
Total investments	<u>\$ 13,832,593</u>	<u>\$ 13,223,835</u>

PROPERTY, PLANT AND EQUIPMENT, at cost

Producing	\$ 69,001,500	\$ 64,651,024
Manufacturing	126,273,764	121,797,990
Marketing	137,678,529	126,252,033
Other	5,595,905	7,236,828
	<u>\$338,549,698</u>	<u>\$319,937,875</u>
Less: Accumulated depreciation, depletion and amortization (Note 2)	139,441,529	133,140,552
Net property, plant and equipment	<u>\$199,108,169</u>	<u>\$186,797,323</u>

DEFERRED CHARGES

Premium paid on subsidiary companies' capital stock, less amortization	\$ 3,695,860	\$ 3,855,821
Prepaid expenses and other deferred charges	2,592,463	3,084,641
Total deferred charges	<u>\$ 6,288,323</u>	<u>\$ 6,940,462</u>
	<u>\$344,221,986</u>	<u>\$329,509,217</u>

* Restated to reflect the adoption of equity accounting in companies owned 50% (Note 8).

See accompanying notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES (Note 1)	1969	1968*
Accounts payable and accrued liabilities		
Affiliated companies	\$ 30,545,094	\$ 33,038,890
Other	21,975,206	17,839,873
Sales, motor fuel and sundry taxes	13,332,540	12,211,330
Income taxes	3,159,229	8,711,091
Long-term debt due within one year (Note 3)	2,538,188	13,133,875
Dividends payable	2,174,879	1,980,572
Total current liabilities	<u>\$ 73,725,136</u>	<u>\$ 86,915,631</u>
LONG-TERM DEBT (Notes 1 and 3)	<u>\$ 40,545,937</u>	<u>\$ 29,960,156</u>
DEFERRED CREDITS – INCOME TAXES (Note 4)	<u>\$ 40,114,505</u>	<u>\$ 37,566,505</u>
SHAREHOLDERS' EQUITY		
PREFERRED STOCK		
4% cumulative redeemable preferred shares		
of \$100 par value (redeemable at \$102.50		
on thirty days' notice)		
Authorized – 77,500 shares		
Issued – 37,500 shares	<u>\$ 3,750,000</u>	<u>\$ 3,750,000</u>
COMMON STOCK AND RETAINED EARNINGS		
Common shares of no par value		
Authorized – 14,926,578 shares		
Issued – 9,715,359 shares	<u>\$ 33,363,744</u>	<u>\$ 33,363,744</u>
Retained earnings, per accompanying statement	<u>152,722,664</u>	<u>137,953,181</u>
Total common stock and retained earnings	<u>\$186,086,408</u>	<u>\$171,316,925</u>
	<u>\$344,221,986</u>	<u>\$329,509,217</u>

Approved on behalf of the Board:
A. G. FARQUHARSON, Director
EDWARD C. WOOD, Director

CONSOLIDATED STATEMENT OF SOURCE AND DISPOSITION OF FUNDS

For the years ended
December 31, 1969 and 1968

Texaco Canada Limited and Subsidiary Companies

SOURCE	1969	1968*
Net income	\$ 23,080,384	\$ 20,765,976
Depreciation, depletion and amortization	11,046,443	11,106,545
Provision for income taxes — deferred	2,548,000	1,191,000
	<u>\$ 36,674,827</u>	<u>\$ 33,063,521</u>
Additional long-term debt	13,982,812	3,437,500
Book value of fixed assets sold	2,945,872	1,751,368
	<u>\$ 53,603,511</u>	<u>\$ 38,252,389</u>
 DISPOSITION		
* Capital expenditures	\$ 26,291,887	\$ 23,395,584
Reduction in long-term debt	3,397,031	7,977,657
Dividends declared — preferred stock	150,000	150,000
— common stock	8,160,901	7,383,673
Increase in investments	608,758	526,812
Other (net)	(640,865)	165,898
	<u>\$ 37,967,712</u>	<u>\$ 39,599,624</u>
 ADDED TO OR (WITHDRAWN FROM) WORKING CAPITAL	\$ 15,635,799	\$ (1,347,235)
 WORKING CAPITAL		
At beginning of year	35,631,966	36,979,201
At end of year	<u>\$ 51,267,765</u>	<u>\$ 35,631,966</u>
 * Restated to reflect the adoption of equity ac- counting in companies owned 50% (Note 8).		
 ** Capital expenditures		
Producing	\$ 4,857,202	\$ 4,669,907
Manufacturing	4,970,959	3,894,260
Marketing	15,898,227	11,477,503
Other	565,499	3,353,914
	<u>\$ 26,291,887</u>	<u>\$ 23,395,584</u>

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1969

Texaco Canada Limited and Subsidiary Companies

Note 1. CURRENCY EXCHANGE

United States dollar balances included in current liabilities have been converted to Canadian dollars at the rate of exchange at the end of each year. Long-term debt payable in United States dollars has been converted at rates of exchange in effect when the notes were issued.

Note 2. DEPLETION

Depletion charged to income during 1969 totalled \$501,000 and at December 31, 1969, the accumulated balance of depletion in the Companies' accounts was \$6,490,000.

Note 3. LONG-TERM DEBT

The long-term debt of Texaco Canada Limited and its subsidiaries at December 31, 1969 and 1968 is as follows:

Texaco Canada Limited —	1969	1968
First mortgage bonds (authorized and issued \$20,000,000)		
3% Sinking fund bonds, 1946 series, due in instalments of \$465,000 in 1970 and \$920,000 in 1971	\$ 1,385,000	\$ 1,850,000
3¼ % Sinking fund bonds, 1947 series, due in equal annual instalments of \$535,000 to 1971 and \$545,000 in 1972	1,615,000	2,150,000
Due to Texaco Inc.		
4% Notes due \$1,000,000 annually to 1982 (1969 U.S. \$13,000,000, 1968 U.S. \$14,000,000)	14,005,313	15,082,656
7¼ % Note due 1973 (U.S. \$ 5,000,000)	5,365,625	5,365,625
4½ % Note due 1969 (U.S. \$10,000,000)	—	10,731,250
7½ % Note due 1974 (U.S. \$10,000,000)	10,762,500	—
7.647% Notes due in equal annual instalments of \$160,000 from 1970 to 1989 (U.S. \$3,200,000)	3,437,375	3,437,500
Floating U.S. prime rate (8½ % as at December 31, 1969) Note due 1972 (U.S. \$3,000,000)	3,220,312	—
Regent Refining (Canada) Limited —		
4¼ % Sinking fund debentures, Series A, due in equal annual instalments of \$400,000 to 1974 and \$1,400,000 in 1975	3,400,000	3,800,000
4¾ % First mortgage sinking fund bonds	—	810,000
	\$43,191,125	\$43,227,031
Less: Long-term debt due within one year and bonds held for sinking fund requirements (1969 \$107,000; 1968 \$133,000)	2,645,188	13,266,875
	<u>\$40,545,937</u>	<u>\$29,960,156</u>

**Note 4. DEFERRED CREDITS —
INCOME TAXES**

Provision is made in the Companies' accounts to reflect the income tax effect applicable to transactions recorded in the Companies' financial statements in a reporting period different from the period in which they are reported for income tax purposes.

The deferred credits for income taxes shown in the balance sheet represent the cumulative effect of net charges made against earnings to defer these income tax effects to appropriate future periods in the Companies' financial statements. This accounting policy allocates the income tax effect of transactions to the period in which such transactions are recorded for financial reporting purposes.

Note 5. EXPENSES

Selling, general and administrative expenses for 1969 include amortization of \$316,000 premium paid on subsidiary companies' capital stock and \$345,000 fees and other remuneration paid to directors and principal officers.

Note 6. PENSION PLAN

The Companies' group pension plan is available to substantially all employees and the actuarial cost of pension benefits is amortized over the estimated service lives of the employees involved. A provision is made for funding of pension costs by deposits made to an insurance company.

**Note 7. COMMITMENTS AND
CONTINGENT LIABILITIES**

As of December 31, 1969, Texaco

Canada Limited and subsidiary companies had long-term leases expiring more than three years from such date, covering service stations, office buildings and other facilities. Minimum amounts payable under such commitments without reduction for related rental income are expected to average \$8,400,000 annually for the next three years.

Under certain lease agreements for service stations expiring in 1970, Texaco Canada Limited is obligated to make rental payments of approximately \$1,400,000 for that year and is contingently liable for loans to the lessors in an amount not to exceed \$24,400,000 due in 1970. The Company has an option to purchase these service stations for the amount of the contingent liability.

Under long-term agreements with pipeline companies in which stock interests are held, the Company guarantees specified revenue from crude and refined products shipped and in the event such companies are unable to meet debt obligations, Texaco Canada Limited may be required to advance funds against future transportation charges. The contingent liability arising from such agreements, together with certain liabilities on discounted notes, amounted to \$15,367,000 at December 31, 1969.

No losses are anticipated by reason of the above contingent obligations. In the opinion of the Company's general counsel, while it is impossible to ascertain the ultimate legal and financial liability with respect to other contingent liabilities, including

AUDITORS' REPORT

lawsuits, income taxes, claims, guarantees, etc., the aggregate amount of such liability is not materially important in relationship to the total consolidated assets of the Company and its subsidiaries.

Note 8. INVESTMENTS IN NON-SUBSIDIARY COMPANIES

In 1969, the Company adopted the equity method of accounting for its investments in companies owned 50%. Under this method, the Company's equity in the earnings of such companies is reflected currently in income rather than when realized through dividends. Income from investments for the year 1968 has been increased, for comparative purposes, by \$30,213 and retained earnings at the beginning of 1968 have been increased by \$877,005, representing the Company's equity in net assets of these companies over the cost of the Company's investment, at that date. All other investments are reported in the financial statements at cost.

To the Shareholders,
Texaco Canada Limited:

We have examined the consolidated balance sheet of Texaco Canada Limited and subsidiary companies as of December 31, 1969, and the related consolidated statements of income and retained earnings and source and disposition of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Texaco Canada Limited and subsidiary companies as of December 31, 1969, and the results of their operations and the source and disposition of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the adoption of equity accounting as described in Note 8 to consolidated financial statements.

Arthur Andersen & Co.
Chartered Accountants.

Montreal, Que., February 11, 1970.

Financial Summary

Year	Gross (1) Income	Total	Net Income (1) (2)	
			Per Common Share (3)	Per Dollar of Gross Income
	Millions	Millions		
1969	\$330.9	\$23.1	\$2.36	7.0¢
1968	310.3	20.8	2.12	6.7
1967	284.1	17.1	1.74	6.0
1966	257.9	15.0	1.53	5.8
1965	238.4	13.4	1.37	5.6
1964	227.0	11.4	1.15	5.0
1963	216.4	10.8	1.10	5.0
1962	196.4	9.6	0.97	4.9
1961	192.3	10.2	1.03	5.3
1960	188.7	11.3	1.15	6.0

Financial Condition at Year End

Year	Current Assets	Current Liabilities	Working Capital
	Millions	Millions	Millions
1969	\$125.0	\$73.7	\$51.3
1968	122.5	86.9	35.6
1967	105.2	68.2	37.0
1966	102.5	61.6	40.9
1965	97.9	59.3	38.6
1964	90.9	53.6	37.3
1963	92.0	63.6	28.4
1962	84.2	55.6	28.6
1961	81.1	49.1	32.0
1960	73.9	39.0	34.9

Operations Summary

Year	In thousands of barrels daily				
	Production of Crude Oil and Natural Gas Liquids		Refinery Runs	Refinery Crude Oil Capacity	Petroleum Product Sales
	Gross	Net			
1969	21.4	18.6	134.8	129.5	141.7
1968	19.0	16.5	132.6	127.5	134.2
1967	16.5	14.4	125.4	125.5	125.9
1966	14.1	12.4	113.5	124.5	115.3
1965	12.5	10.9	107.0	122.5	106.4
1964	11.2	9.8	104.9	120.5	102.3
1963	10.5	9.3	106.9	107.0	101.4
1962	10.0	8.9	92.3	106.0	92.7
1961	8.2	7.4	91.4	97.0	90.7
1960	6.0	5.4	91.3	97.0	86.6

Note (1) Restated for 1968 and prior years to reflect the adoption of equity accounting for investments in companies owned 50%.

Note (2) Includes extraordinary item of \$1,765,000 or \$0.18 per common share in 1969 representing gain on sale of an office building and land.

Note (3) Adjusted for 3-for-1 stock split in 1967.

Dividends Paid				Payments to Governments				Year
Common		Preferred		Capital Expenditures	Income and Operating Taxes	Taxes Collected From Consumers	Total Taxes	
Total Cash	Per Share (3)	Total Cash	Per Share					
Millions		Millions		Millions	Millions	Millions	Millions	
\$8.0	\$0.82	\$0.2	\$4.00	\$26.3	\$42.9	\$152.3	\$195.2	1969
7.2	.74	.2	4.00	23.4	42.5	137.6	180.1	1968
6.1	.63	.2	4.00	22.6	34.1	112.0	146.1	1967
5.8	.60	.2	4.00	17.0	29.1	100.8	129.9	1966
5.2	.53	.2	4.00	20.4	21.2	92.3	113.5	1965
5.2	.53	.2	4.00	18.7	21.7	84.9	106.6	1964
5.2	.53	.2	4.00	36.7	19.0	74.8	93.8	1963
5.2	.53	.2	4.00	19.2	17.7	63.9	81.6	1962
5.2	.53	.2	4.00	14.2	18.9	58.9	77.8	1961
5.2	.53	.2	4.00	15.6	19.7	54.2	73.9	1960

Current Ratio	Total Assets (1)	Long-Term Debt	Common Shareholders' Equity (1)		Year
			Net Book Value	Per Share at Year End (3)	
	Millions	Millions	Millions		
1.70	\$344.2	\$40.5	\$186.1	\$19.15	1969
1.41	329.5	30.0	171.3	17.63	1968
1.54	300.9	34.5	158.1	16.27	1967
1.66	287.8	42.4	147.6	15.19	1966
1.65	275.6	45.0	138.6	14.26	1965
1.70	258.0	48.2	130.6	13.45	1964
1.45	250.6	40.6	124.6	12.82	1963
1.52	206.7	22.2	119.1	12.26	1962
1.65	192.4	20.2	114.9	11.82	1961
1.89	178.9	22.4	110.0	11.33	1960

Shares		Shareholders		Employees		Year
Common (3)	Preferred	Number at Year End		Number at Year End	Payrolls and Benefits	
		Common	Preferred			
Thousands	Thousands				Millions	
9,715	38	5,898	783	3,481	\$33.2	1969
9,715	38	5,349	828	3,441	30.1	1968
9,715	38	5,478	859	3,424	27.7	1967
9,715	38	4,581	912	3,347	25.1	1966
9,715	38	4,719	934	3,239	22.3	1965
9,715	38	4,955	1,086	3,233	21.1	1964
9,715	38	5,297	1,104	3,211	19.5	1963
9,715	38	5,351	1,168	2,715	17.3	1962
9,715	38	5,585	1,197	2,711	16.7	1961
9,715	38	5,870	1,264	2,718	16.4	1960

